

P-401/CP-89-951 REQUIRING COST STUDIES AND PROPOSED RATES AND
ESTABLISHING A COMMENT PERIOD

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Darrel L. Peterson	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Patrice Vick	Commissioner

In the Matter of the Petition for Extended
Area Service from the Hokah Exchange to
the LaCrosse, Wisconsin Calling Area

ISSUE DATE: September 21, 1990

DOCKET NO. P-401/CP-89-951

ORDER REQUIRING COST STUDIES AND
PROPOSED RATES AND ESTABLISHING A
COMMENT PERIOD

PROCEDURAL HISTORY

On October 24, 1989, subscribers in the Hokah exchange filed a petition for Extended Area Service (EAS) to the LaCrosse, Wisconsin calling area. Hokah is served by Ace Telephone Association (Ace).

On December 8, 1989, Ace submitted a letter to the Minnesota Department of Public Service (the Department). Ace stated that the telephone traffic for the proposed EAS could be routed directly to LaCrosse or through the LaCrescent, Minnesota exchange.

On February 6, 1990, Ace submitted cost information.

On April 17, 1990, the Minnesota Department of Public Service (the Department) made an inquiry to the Wisconsin Public Service Commission (WPSC) about the appropriate costing methodology for the EAS route under question. The Department's letter also contained a synopsis of a traffic study submitted earlier by Ace.

Subsequently, the 1990 Legislature passed, and the Governor signed, new legislation regarding EAS. Minn. Stat. §237.161 (1990).

On July 19, 1990, the Department asked the Commission to apply of the new EAS law to the Hokah request for EAS.

On July 26, 1990, Commission staff verbally discussed this petition with the appropriate WPSC staff.

On July 30, 1990, the Department withdrew its request for an interpretation of how the new EAS law applied to the Hokah request for EAS.

On July 30, 1990, the WPSC requested the company that serves LaCrosse, Century Telephone Company (Century), to determine the costs Century would incur if this petition were to be granted by both the Minnesota Commission and the WPSC.

On August 21, 1990, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

With the enactment of Minn. Stat. § 237.161, the community of interest arguments presented by the parties in earlier filings become irrelevant. The new EAS legislation provides that a request to install EAS will be granted when the following three criteria have been met:

- (1) the petitioning exchange is contiguous to an exchange or local calling area to which extended area service is requested in the petition.
- (2) at least 50 percent of the customers in the petitioning exchange make one or more calls per month to the exchange or local calling area to which extended area service is requested, as determined by a traffic study; and
- (3) polling by the commission shows that a majority of the customers responding to a poll in the petitioning exchange favor its installation, unless all parties and the commission agree that no polling is necessary. Minn. Stat. § 237.161, subd. 1(a)(1-3) (1990).

Adjacency

Hokah is adjacent to the LaCrosse calling area. Notwithstanding its adjacency, the new EAS statute generally prohibits EAS routes that cross state lines, as it must do to link an exchange in Minnesota (Hokah) with a calling area in Wisconsin (LaCrosse). Minn. Stat. § 237, subd. 5. This prohibition will doom the EAS route proposed here unless the route meets the exception provided by statute, i.e. that an exchange may be added to an interstate extended service area in existence on the date that the legislation came into effect. Minn. Stat. § 237, subd. 5.

The Commission finds that the Hokah petition meets the exception and therefore avoids prohibition under Minn. Stat. § 237, subd. 5 (1990). Hokah is adjacent to the LaCrosse, Wisconsin - LaCrescent, Minnesota extended service area, an interstate extended service area in existence on the date that the legislation came into effect (April 27, 1990).

Having successfully met the adjacency requirement and the exception to the general prohibition

against new interstate EAS routes, Hokah's proposal will proceed for evaluation in light of the two other standards: sufficient telephone traffic between Hokah and the LaCrosse calling area and sufficient support among Hokah customers for the EAS route.

Sufficient Traffic

Traffic studies submitted by Ace cover October, November, and December 1989. They clearly show that more than 50% of the Hokah subscribers place one or more calls per month to LaCrosse. Hokah meets the traffic study requirement of the new EAS law.

Sufficient Customer Support

The final criterion that the Hokah petitioners must meet before the Commission will order an EAS route between Hokah and the LaCrosse calling area is the requirement that 50% or more of Hokah customers responding to a Commission poll on the subject must indicate that they favor installation of this EAS route. Before the Commission proceeds to conduct a poll of subscribers in the Hokah exchange, it will determine the rates for EAS between Hokah and the LaCrosse calling area and make these rates available to the subscribers. The Commission will determine these rates based upon cost studies that meet Minnesota statutory requirements. Minn. Stat. § 237.161, subd 2 and subd. 3 (1990). The Commission will require Ace, the telephone company serving the Hokah exchange, to submit new cost studies because those on file in this matter do not meet the statutory requirements. These studies and proposed rates and a comment period outlined in the Order will provide the Commission with the information it needs to determine the EAS rates that will be made available to Hokah subscribers at the time of the polling.

A complication in this case is that cost information from Century Telephone Company which serves the LaCrosse exchange may not be ordered directly by the Commission, but must be secured by the WPSC. Commission staff will work with the Wisconsin Commission staff to ensure that both agencies have the information necessary to deal with this petition.

ORDER

1. The petition from Hokah merits further investigation because it meets the adjacency and traffic volume requirements of Minn. Stat. § 237.161 and as a proposal to expand an existing interstate extended service area it fits the exception to the statutory prohibition against creating new interstate EAS routes.
2. Ace Telephone Association (Ace) shall file new cost studies and proposed rates for the proposed extended service area between the Hokah exchange and the LaCrosse calling area with the Commission, the Minnesota Department of Public Service (the Department) and the Wisconsin Public Service Commission within 60 days of the date of this Order.
3. The cost studies and proposed rates filed in response to Ordering Paragraph 2 shall be based upon all the requirements of Minn. Stat. § 237.161, subd. 2 and 3 (1990) and present three rate schedules: the first rate schedule shall assign 50% of the costs to the Hokah exchange; the second shall assign 75% of the costs to the Hokah exchange; the third shall assign 100% of the costs to the Hokah exchange. If Ace believes that the cost studies it has already submitted meet the requirements of Minn. Stat. § 237.161 (1990), it shall so indicate.
4. Within 45 days of Ace's filing required by Ordering Paragraph 2, the Department shall file a report and recommendations on the cost studies and proposed rates. The Department's report shall indicate whether the cost studies meet the requirements of Minn. Stat. § 237.161 (1990) and include a recommendation regarding the percent of costs that should be assigned to the Hokah exchange.
5. Within 20 days after the Department's filing required by Ordering Paragraph 4, any interested party may file comments on the Department's report and recommendation.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)